

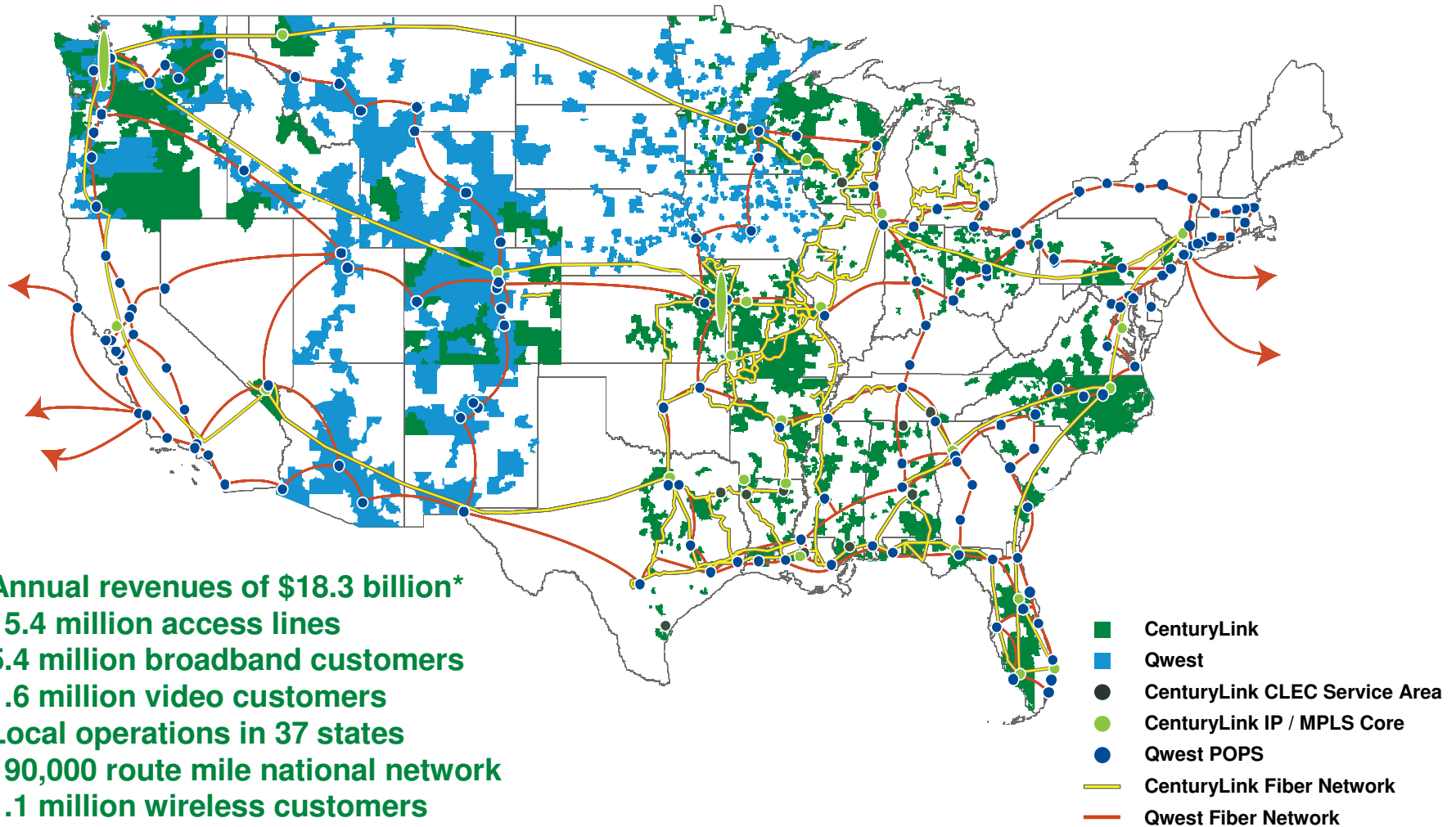


America's Broadband Connectivity Plan: *Establishing a Rational and Efficient System*

Sioux Falls, South Dakota

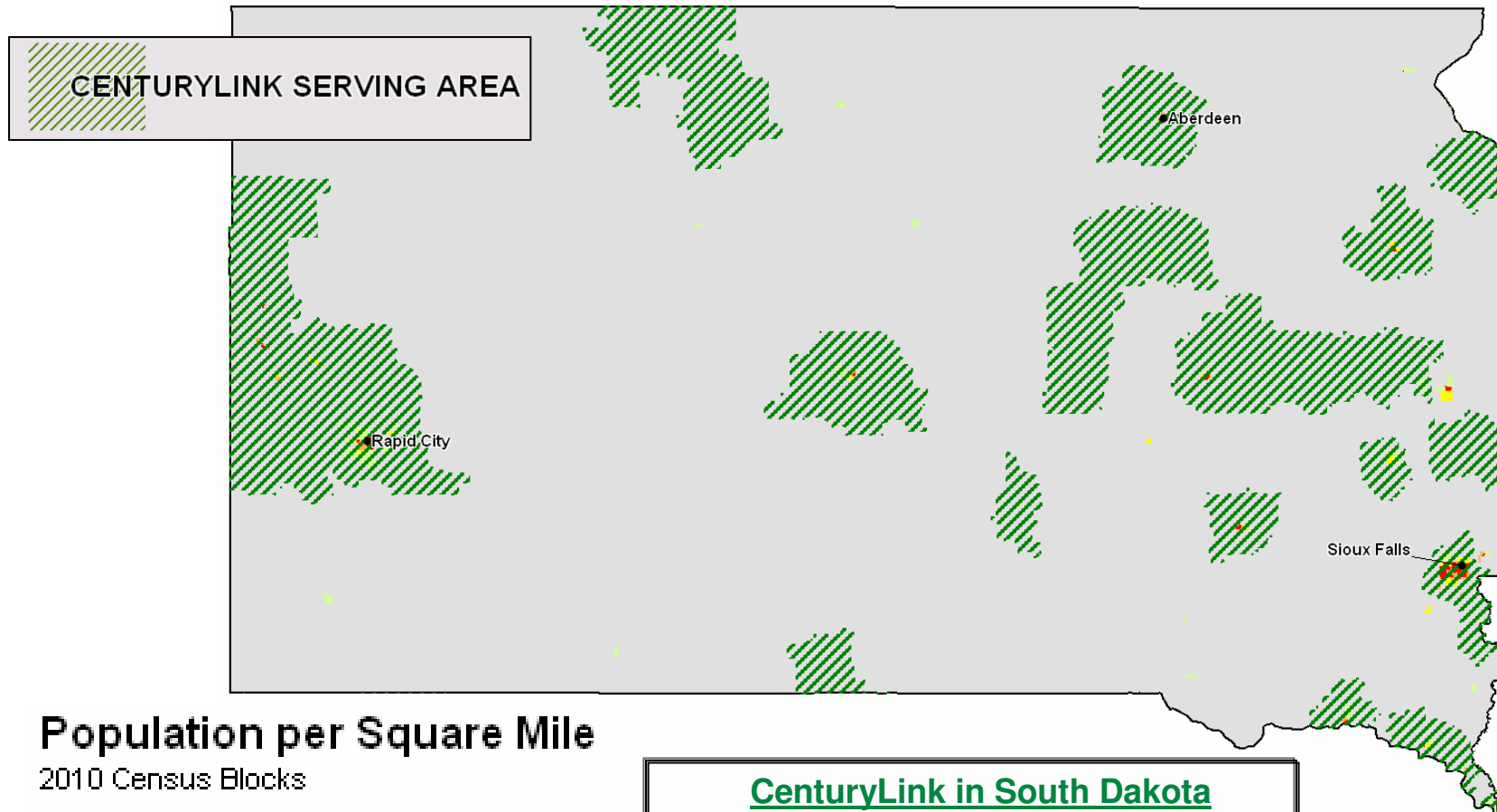
August 30, 2011

CenturyLink: Network Map and Service Territory



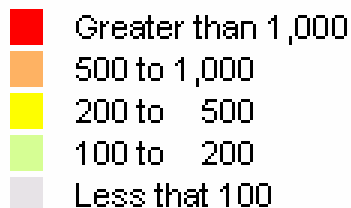
- Annual revenues of \$18.3 billion*
- 15.4 million access lines
- 5.4 million broadband customers
- 1.6 million video customers
- Local operations in 37 states
- 190,000 route mile national network
- 1.1 million wireless customers
- Committed to being the broadband leader in our markets
- 48,000+ employees nationwide

CenturyLink in South Dakota



Population per Square Mile

2010 Census Blocks



CenturyLink in South Dakota

- 320 Employees
- \$16,038,000 Payroll in 2010
- 106,000 Access Lines

Population Density Matters

- ILECs bear expensive COLR obligations to service all customers; a burden unique only this class of provider, and very important in areas of low population density
- CenturyLink serves vast tracts of rural America; in addition to urban centers like Denver, Las Vegas, Seattle, Phoenix, and Minneapolis

Line Density (loops/sq. mile):

AT&T	101
Verizon	155
CenturyLink	29

Service Area (sq. miles):

AT&T	602,391
Verizon	229,569
CenturyLink	699,521

- Much of CenturyLink's service area has fewer than 10 households per square mile
- Competitors routinely avoid serving low density areas
- If COLR, ICC & USF reform is not handled properly, there is a real risk of leaving rural areas behind

ABC Plan: USF Reform to Support Broadband

Connect America Fund (CAF) for Price Cap Areas

- Supports broadband to homes & businesses in high-cost areas
- Targeted census block support
- 4 Mb/s downstream (Actual), 768 kb/s upstream (Actual)
- Target: \$2.2 billion / year

Advanced Mobility/Satellite Fund (AMF)

- Mobile broadband for unserved areas
- Target: \$300 million / year

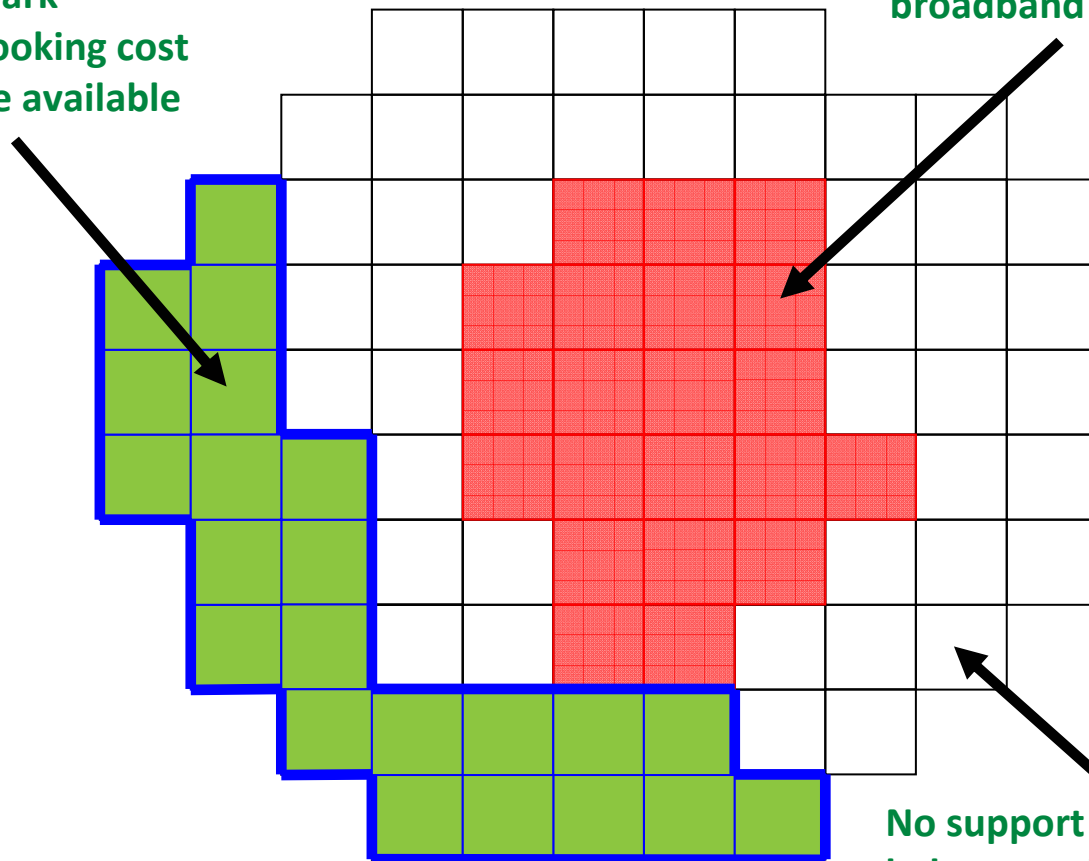
Access Replacement Mechanism (ARM)

- Transitional for price cap LECs, phased out by July 1, 2020

High-Cost Fund Budget: \$4.5 billion/year

CAF: Targeted and Efficient Support

Support only in census blocks above cost benchmark
FCC uses forward-looking cost model to determine available support



No support in census blocks served by unsupported broadband competitor

No support in census blocks below cost benchmark

CAF: Procurement Model

Provider enters into agreement with FCC

- FCC determines available support
- Incumbent LEC may have first opportunity to accept support
- Auction

Broadband obligations in exchange for support

- Ten-year term
- Five-year build-out requirement
- Obligations apply only to CAF recipient
- Obligations apply only in supported census blocks
- Obligations apply only during the ten-year term of support

ABC Plan Transition from Legacy Programs

Price Cap LEC & CETC legacy support phased out

- 20 percent / year, eliminated entirely on July 1, 2016
- CAF, AMF phased in as legacy support phased out

Legacy ETC regulations and requirements

- Eliminated when legacy high-cost support ends

COLR obligations

- Preempted unless state fully funds COLR and the carrier accepts funding obligations

ABC Plan: Intercarrier Compensation Reform

Interim rules, effective January 1, 2012:

- Address VoIP compensation, phantom traffic, traffic pumping

Uniform low transport and termination rate (\$0.0007)

- Transition to \$0.0007 begins July 2012, complete by July 2017
- Intrastate access harmonized with interstate in first two steps
- Unified under section 251(b)(5)

Opportunity for end user recovery

- Any SLC increase limited to \$0.50 - \$0.75 per year
- SLC limited by \$30 “benchmark”

Access replacement mechanism

- Limited use of USF where needed to supplement end user recovery during a transitional period

The ABC Plan Delivers Consumer Benefits

- Provides access to higher speed broadband for over 4 million rural homes and businesses in price cap areas, 2 million of which for the first time
- Broadband deployment and ongoing operation will continue to be supported and expanded in rate-of-return areas
- Creates a long-term stable investment environment for broadband and IP networks
- Facilitates more efficient pricing of voice calling
 - \$8 billion annual gain in consumer welfare
- Seamless to consumers; compatible with evolving technology and market dynamics
- No increase in consumer contributions to the fund